



# Republican Policy Committee

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## **Democrats Exploit Social Security to Block Balanced Budget Amendment** **Using Social Security As A Human Shield**

Not since Saddam Hussein used detained foreign nationals as "human shields" during the Persian Gulf War has a group of individuals more shamelessly been exploited. This time it is Senate Democrats using senior citizens to prevent a Balanced Budget constitutional amendment that would end the deficit.

Opponents of a balanced budget amendment (BBA) are engaged in a specious Social Security charade claiming to protect Social Security when in reality they are seeking to protect the Washington status quo. Last year, six Democrats switched their position from support of the BBA to opposition. To provide cover for their flip-flop (Senate vote No.82), the charade of excluding Social Security receipts and outlays from the budget was put into operation. Consider the following:

- ▶ The six Democrats who used the Social Security charade to cover their back-tracking last year also voted for **Clinton's FY 1997 budget, which did not exclude Social Security's receipts and assets from deficit calculations.**
- ▶ Not only did Clinton's budget not balance in 2002 "under CBO's more cautious economic and technical assumptions," [4/17/96 CBO testimony before House Budget Committee] but without Social Security's receipts and assets in its deficit calculations, it would have been \$184.5 billion out of balance in 2002!
- ▶ **Without Social Security's receipts and assets in its deficit calculations, Clinton's budget would never balance.** The Republican budget would be balanced in FY 2005 without Social Security. All "somersault six" Senators opposed the Republican budget.
- ▶ Without Social Security's receipts and assets in its deficit calculations, the Senate Budget Committee calculates that an additional \$360 billion more in domestic spending cuts would have to be made under the Clinton FY 1997 budget. These same "somersault six" Senators voted to restore \$5 billion for this area in just the next fiscal year.
- ▶ **All "somersault six" Senators also voted for the Clinton FY 1994 budget that included \$25 billion in taxes on Social Security benefits.**

The fact is, as the following arguments show, that there is no rationale, no precedent, and ultimately no truth to any of the contentions being put forth in regards to Social Security and the balanced budget constitutional amendment.

## ***"Fraudulent," "Mendacious Nonsense" — At Best***

Washington columnist Charles Krauthammer has exposed — not once but twice — the Clinton Administration's unconscionable human-shield strategy. In a column entitled, "Social Security 'Trust Fund' Whopper," Krauthammer writes:

*"In my 17 years in Washington, this is the single most fraudulent argument I have heard. I don't mean politically fraudulent, which is routine in Washington and a judgment call anyway. I mean logically, demonstrably, mathematically fraudulent, a condition rare even in Washington and a judgment call not at all."* [Washington Post, 3/10/95; emphasis added]

When Senators Kent Conrad (D-ND) and Byron Dorgan (D-ND) replied in print to this charge, Krauthammer wrote again:

*"Their response is even more fraudulent than their original argument. Conrad-Dorgan profess indignation with this 'pundit' who 'condones the use of the Social Security surpluses' for 'masking the size of the budget deficit.' Well, well. Where is their indignation with a president who does not just condone this practice but has carried it out three years in a row? By their own logic, the president, who is of their own party, has 'looted' the Social Security trust fund by \$47 billion in 1993, another \$56 billion in 1994 and plans to loot another \$60 billion in 1995. Makes you wonder about the sincerity of their charge. . . . Conrad-Dorgan's Social Security argument, writes Time magazine, 'is, to put it politely, mendacious nonsense.'" [Washington Post, 3/24/95; emphasis added]*

It still is — in fact, only more so.

## **Changing the Rules in the Middle of the Game**

Either Senate Democrats do not understand the current budget structure or they are seeking to change it now to keep spending. The fact is, the Social Security trust fund continues to be operated as it has since its inception. Here is what the 1994 Green Book (published by the House Committee on Ways and Means, which was under Democratic control at the time) — considered the authoritative handbook on the operations of federal entitlement programs — states about the trust fund's operation:

*"Part of the confusion arises from a lack of understanding that OASDI taxes are not deposited in trust funds and OASDI benefits are not paid from trust funds. OASDI taxes are deposited in the Federal Treasury like other taxes and become part of the general pool of funds through which the Government functions. . . . The trust funds themselves receive*

*credit for the revenues when the Government receives them, usually in the form of postings of non-marketable, interest-bearing Federal securities. Conversely, when the Government makes expenditures for trust fund programs, the money is paid from the Treasury, and the securities posted to the trust fund are reduced by a corresponding amount. Simply stated, the OASDI trust funds are given IOUs when OASDI taxes are received by the Treasury, and those IOUs are taken back when the Treasury makes expenditures on the program's behalf."* [1994 Green Book, pp. 90-91]

Not only does the trust fund operate as it always has, it is treated in the federal unified budget in the same way it has been for nearly three decades, per the recommendation in the *Report of the President's Commission on Budget Concepts* in 1967. To quote two publications since President Clinton took office:

*"Under budget concepts set forth in the 'Report of the President's Commission on Budget Concepts,' a comprehensive budget in which receipts and outlays from federal [sic] and trust funds are consolidated. . . . The unified budget should, as conceived by the President's Commission, be comprehensive of the full range of federal activities."* ["A Glossary of Terms Used in the Federal Budget Process," GAO Exposure Draft, January 1993, p. 84]

*"The budget documents provide information on all Federal agencies and programs. The total receipts and outlays of the Federal Government are composed of both on-budget receipts and outlays and off-budget receipts and outlays. By law, the receipts and outlays of Social Security (the Federal Old-Age and Survivors Insurance and the Federal Disability Insurance trust funds) and the Postal Service Fund are excluded from the budget totals and from the calculation of the deficit for Gramm-Rudman-Hollings Act purposes. The off-budget transactions are separately identified in the budget. The on-budget and off-budget amounts are added together to derive totals for the Federal Government."* [The Budget System and Concepts of the United States Government, GPO, April 1993, p. 7]

## **Democrats' Pretzel Logic**

What Senate Democrats are trying to do is to create an artificial deficit in order to protect the current one. Their idea of subtracting out an entire portion of the unified budget would render the federal budget meaningless. For that reason no President and no Congress has followed this course — not the current President and not the last Congress, which was controlled by President Clinton's own party.

In addition, such an exercise would not stop there. Every program would line up for its own exemption. In fact, with this approach the budget could be balanced tomorrow with no savings, no taxes, and more spending — **they could just declare the deficit itself off-budget by creating an “official budget” that does balance while hiding all their borrowing in some off-the-books account.**

## **Risking Social Security to Protect Deficits**

Not only does this hoax make no sense from a budgetary standpoint, it is downright dangerous for Social Security. Consider what would happen if Social Security were to be completely sequestered away from the fiscal discipline and accountability of the budget.

What would happen when the demographic spike in the number of beneficiaries occurs and the Social Security trust funds begin to run deficits? Again, looking to the 1994 Green Book:

*“Total income is estimated to fall short of expenditures beginning in 2019 and continuing thereafter, under the intermediate assumptions. In this circumstance, trust fund assets would be redeemed to cover the difference. The assets of the combined OASI and DI Trust Funds are estimated to be depleted under present law in 2029 based on intermediate assumptions.”* [1994 Green Book, p. 98]

If Social Security were hidden away off-budget, exerting no influence on the federal deficit, what would be the incentive for Congress to act — especially when such action would require increasing the deficit to spend government money to help out Social Security? And so, what are Senate Democrats saying to today’s 33-year old who will be looking to retire in the year 2029? — Trust us? How good an idea is it to play games with America’s retirement plan?

## **Caught With Their Hands in the Cookie Jar Again**

Finally, the whole direction of their argument is backwards. The “somersault six” Senators’ real complaint is that there is too much deficit reduction! As Senator Gorton put it at an October 20, 1995 Budget Committee meeting:

*“The argument is particularly fraudulent because it is not the position of the party on the other side of the aisle that we have not cut spending enough or that we have not raised taxes high enough to balance the budget. They are protesting this bill because it cuts spending too much. And yet they come up with the argument, on the other hand, that it does not cut it enough.”*

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